Joint Senate-House Education Reform Task Force

The Joint Task Force was established on July 2, 2002 by Senate President Robert Bunda and Speaker of the House Calvin Say. This Task Force had been previously proposed in Senate Bill 3018, passed during the 2002 Legislative Session. Governor Benjamin Cayetano vetoed this measure, indicating that the Legislature had full authority to convene the task force without legislation. The Legislative leadership appointed Senator Norman Sakamoto and Representative Ken Ito, Chairs of the respective Education Committees, to Co-Chair the Task Force.

Focus groups were convened in four areas to develop proposals for various education reforms to be presented to policy-makers prior to the 2003 legislative session. The four focus groups are: Education Finance; Community Collaboration; Roles & Responsibilities; and Quality Teaching/Schools. Each focus group invited various education stakeholders to participate in addressing key questions in the four focus areas. Each focus group convened between three to five meetings to identify key issues within their focal areas. The proposals you will be hearing today are the result of those meetings. However, for some of the proposals, specific actions for implementation are yet to be determined.

All attendees, including the convenor/facilitators of each focus group, have participated not as formal representatives from stakeholder organizations, but as ***individuals*** engaged in open discussions. They represent a cross-section of the educational community, but by no means a comprehensive or all inclusive group. Not all participants have been able to attend all sessions of any one focus group. The focus groups have sought to better understand the dynamics and issues involved in their topics.

Executive Summary

Education Reform Focus Groups

The ideas proposed by the four focus groups represent a broad constituency of interest groups involved in the shaping of public education policy and programs in Hawaii. As both individuals and representatives of interest groups, members of the focus groups explored the following issues relevant to Hawaii's public education system:

Are education programs sufficiently funded;

What authorities and resources should be provided to ensure student achievement;

What role does the larger community play in public education; and

What policies and programs reflect best practices in developing quality schools and teachers.

In considering these issues, the Focus groups identified ideas within four focus areas – Education Finance; Roles & Responsibilities; Community Collaboration; and Quality Teaching/Schools to address these concerns. The issues identified by these focus groups should be viewed as a continuation of the discussion of educational reforms that were considered during the 2002 legislative session. Additionally, further feedback regarding these ideas will be solicited at other education forums such as the Civic Forum on Public Education, the Hawaii Business Roundtable, and the pending Pre-Kindergarten to Post-Secondary Education, "P-20", statewide initiative. While these focus groups primarily addressed Kindergarten to Grade 12 (K-12) issues, there is general agreement that early childhood education initiatives must be considered in discussions of K-12 issues and proposals, especially in light of the P-20 initiative.

The Task Force members, in considering the issues in this Executive Summary, will have heard the voices of over sixty (60) individuals representing: the school community – students, parents, teachers, administrators; the Department of Education state administration; the Board of Education; private business and community organizations; University administrators and professors; public sector unions; and private schools. It is hoped that the Task Force, in making its determination about which of these issues to pursue, will be supported by and become partners with these constituencies in achieving positive educational reforms.

Following is a brief summary of the ideas developed from discussions within each focus group. For additional information, please go to: www.

If you would like to give your feedback, please contact

Senator Norman Sakamoto

Representative Ken Ito

Education Finance

The key issue considered by the Education Finance focus group was – *"How can resources be linked to performance goals and student outcomes?"*

In considering this issue, focus group members reviewed current literature on education finance. The group found that most states have been compelled by lawsuits to develop state funding mechanisms to assure public schools receive an adequate level of state funds to support student achievement of state standards. The federal No Child Left Behind Act reinforces this by requiring states to develop statewide assessments of student achievement and to evaluate school's efforts to assure student achievement.

Based upon the discussions held with the members of the Education Finance focus group, three ideas were proposed:

Identify three successful schools in Hawaii as models of standards implementation and cost out their staffing and programs as the basis for adequate funding.

Consider other states' education finance models that link financial management systems with student outcomes.

Conduct a comparative study of Hawaii laws, BOE policies and funding levels to assess alignment of resources with requirements of Hawaii state standards and NCLB.

Roles & Responsibilities

The two key issues considered by the Roles & Responsibilities focus group were – *"What* ***authorities*** *should education stakeholders – BOE, Superintendent, school* *staff, parents, and students - have in order to ensure that all students achieve standards; and What* ***resources*** *should education stakeholders have in order to ensure all students achieve standards."*

In considering these issues, focus group members were first asked to complete a survey to identify authority and resource issues. Once the survey responses were compiled, members met to further discuss and refine the issues, resulting in a rating of the most important issues. Based upon the discussion amongst these education stakeholders, the following unifying ideas were proposed.

With regard to **Authorities:**

Empower middle and high school students, and their parents, to take responsibility and be held accountable for their education.

Reward competent school staff, especially in hard-to-fill positions and provide assistance to marginal employees, dismissing those who are unwilling or unable to improve.

Redefine roles of the Board of Education and the Superintendent of Education

Reduce student disruptions and disorderly conduct.

Establish a "Student Bill of Rights" to articulate student expectations regarding educational programs and learning environment.

With regard to **Resources:**

Create incentives for school-level and departmental personnel to perform well, providing resources to high performing schools, as well as targeted assistance to low-performing schools.

Support professional development for school-level staff to enhance their performance and to ensure only qualified teachers are in classrooms.

Improve access to computer technology and information as basic tools of learning and school management.

Encourage parental involvement in student's education.

Community Collaboration

The key issue considered by the Community Collaboration focus group was – *"How can the community at-large, and particularly the business community, partner with the public school system to support public education?"*

In considering this issue, focus group members first discussed the variety of partnerships and programs presently available within the community. The members agreed that it is imperative that the business community take a more pro-active role in partnering with public education, in order to assure that a quality education is provided to the students who become their future employees. Public education can also be enhanced by business partners sharing insights about management and leadership skills that can be used by school administrators.

Based upon the discussions with the members of the Community Collaboration focus group, three ideas were proposed:

Build upon existing partnerships and create a statewide coordinating body to prevent duplication and share effective models.

Recruit successful business partners to provide leadership training for school administrators to provide them with essential management and leadership tools.

Ensure that private sector contributions don't result in reductions or supplanting public funding levels.

Quality Schools and Teachers

The key issue considered by the Quality Schools and Teachers focus group was – "What best practices in the delivery of educational services can be adopted to support quality schools and teachers?" Several proposals for consideration by the focus group, were presented, including: coordination within a school complex of the length of school day, week, and year; establishing smaller school and class size; evaluation of schools beyond student assessments; sequencing of curriculum from kindergarten through grade 12; and reconfiguring administrative structures to adopt a complex-based service delivery model.

There was general agreement that school complexes – elementary schools feeding into middle schools feeding into one high school - is a promising model in terms of developing sequential curriculum, aligning teacher professional development programs with complex-based curriculum, and adopting common reforms related to school size and school calendars. Complex-based learning communities also allow for the adoption of an accountability system that can assess the effectiveness of not only single schools, but also how the curriculum is integrated and sequenced throughout the complex. The focus group also proposed the establishment of a statewide council to interpret data collected on students and schools to assist in decision-making on educational policy and programs.

Recommendations

Education Reform Focus Groups

Education Finance. The key issue considered by the Education Finance focus group was – *"How can resources be linked to performance goals and student outcomes?"* The following three ideas were proposed:

- Identify three successful schools in Hawaii as models of standards implementation and cost out their staffing and programs as the basis for adequate funding.
- Consider other states' education finance models that link financial management systems with student outcomes.
- Conduct a comparative study of Hawaii laws, BOE policies and funding levels to assess alignment of resources with requirements of Hawaii state standards and NCLB.

Roles and Responsibilities. The two key issues considered by the Roles & Responsibilities focus group were – *"What **authorities** should education stakeholders – BOE, Superintendent, school staff, parents, and students - have in order to ensure that all students achieve standards; and What **resources** should education stakeholders have in order to ensure all students achieve standards."* The following unifying ideas were proposed:

- Empower middle and high school students, and their parents, to take responsibility and be held accountable for their education.
- Reward competent school staff, especially in hard-to-fill positions and provide assistance to marginal employees, dismissing those who are unwilling or unable to improve.
- Redefine roles of the Board of Education and the Superintendent of Education.
- Reduce student disruptions and disorderly conduct.
- Create incentives for school-level and departmental personnel to perform well, providing resources to high performing schools, as well as targeted assistance to low-performing schools.
- Support professional development for school-level staff to enhance their performance and to ensure only qualified teachers are in classrooms.
- Improve access to computer technology and information as basic tools of learning and school management.
- Encourage parental involvement in student's education.

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- Build upon existing partnerships and create a statewide coordinating body to prevent duplication and share effective models.
- Recruit successful business partners to provide leadership training for school administrators to provide them with essential management and leadership tools.
- Ensure that private sector contributions don't result in reductions or supplanting public funding levels.

Quality Schools & Teachers. The key issue considered by the Quality Schools and Teachers focus group was – *"What best practices in the delivery of educational services can be adopted to support quality schools and teachers?"* The following three ideas were proposed:

- School complexes – elementary schools feeding into middle schools feeding into one high school - are a promising model to support sequential curriculum, aligning teacher professional development programs with complex-based curriculum, and adopting common reforms related to school size and school calendars.
- Complex-based learning communities allow for the adoption of an accountability system that can assess the effectiveness of not only single schools, but also how the curriculum is integrated and sequenced throughout the complex.
- Establish a statewide council to interpret data collected on students and schools to assist in decision-making on educational policy and programs.

Proposals from Education Finance

1. Identify three successful schools in Hawaii as models or prototypes of standards implementation.

2. Consider other state education finance models that link budget and financial management systems with student outcomes.

3. Conduct a comparative study of Hawaii laws, BOE policies and funding levels to assess alignment of resources with state standards and No Child Left Behind.

Education Finance Focus Group

In response to key question:
How can resources be linked to performance goals and student outcomes?

Idea # 1 - Identify three successful schools in Hawaii as models or prototypes of standards implementation, and cost out their staffing and programs.

Why this is important?

To better understand the current resource allocation process and to determine whether adequate resources have been provided for standards initiatives. Schools that are perceived as successfully implementing their Standards Implementation Design within existing resources need to be identified as models for what is working within the system. Measures of success would include not only student achievement, but other important indicators such as staff training and support, parental involvement, and school leadership. Costing out success will involve identifying not only base funding, but the level of new or additional resources committed to standards implementation as well as whether resources were reallocated based upon each school's particular student population.

How will it impact student achievement?

Models of success can be used for others to follow, in hopes that student achievement will be improved using similar resource allocation strategies. With such baseline information, each school can then target resources on their students' greatest needs and know whether to request additional resources or to reallocate from areas where resources are not being used effectively. It will hopefully support collaborative decision-making in making difficult decisions regarding use of resources.

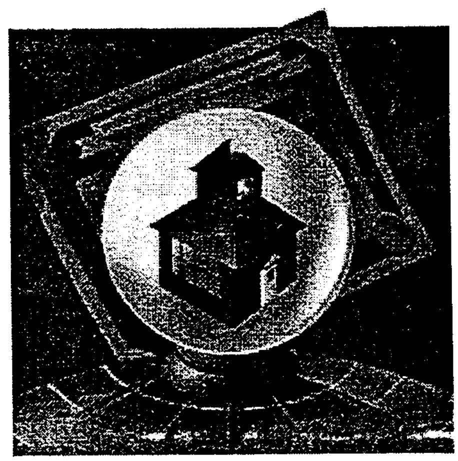
Action Needed to Implement

If possible, it would be best to select schools from within the same complex, to also identify resources being provided within the complex in support of the schools. Improvement in student achievement, graduation rates, need for student remediation, would be a few factors to measure school success. Other possibilities would be to compare the annual School Status and Improvement Reports, School Quality Surveys, tenure of school faculty and leadership, and parental feedback. Consultants working with the Department of Education's Budget and Finance staff would need to work with each selected school to assign cost-centers to school operations for a period of time.

The Financial Plan

Unlike a one-year budget, a financial plan lets you look into the future

By Steven C. Pereus



What's the difference between a budget and a financial plan? Think about maneuvering a rowboat. The energy you use to make the boat move is like the money you have to spend. You can row all day, but if you don't spend any time steering, you'll never arrive at your destination. Budgeting, like rowing, provides the resources you need to keep a school district moving forward on a daily basis. Financial planning, like steering, focuses your effort on your destination. Rowing without steering, or budgeting without a long-range financial plan, will keep you moving--but not necessarily in the right direction.

Most school districts, I've found, spend more time rowing than steering. In fact, most school finance efforts are directed at budget development, financial compliance and reporting, and control of expenditures--important tasks but ineffective ways to chart a strategic course. Most districts spend far too little time evaluating how effectively their funds are being used, identifying future financial needs, and gauging the impact today's decisions will have on future needs or goals.

Fiscal responsibility

Board members, superintendents, and business managers have two levels of fiscal responsibility. The first level is compliance with state and federal law. Compliance ensures that the budget meets state standards and that state funds are directed to legislated accounts and programs. Compliance does not ensure that funds are being used efficiently or effectively, however.

The second, higher order of responsibility is that of fiscal stewardship, which goes well beyond compliance and ensures that funds are spent on programs that make a difference and move the district toward its vision. Fiscal stewardship avoids deficit spending and the need for drastic cuts that undermine education. It requires that policy and process are in place to ensure that funds are used effectively and wisely and that deficits are avoided.

How does a board achieve effective fiscal stewardship? The answer is financial planning.

You would never build a new house only to tear down part of it because you didn't budget enough to finish the entire building. Unfortunately, that's how districts often handle funds. We build our district vision for student success one year at a time and often end up spending so much on small projects that we don't have enough for the programs that would really make a difference. But building a successful district requires a strategic plan, goals, and a financial plan to support the vision--plus the fiscal stewardship to make sure tax dollars are being directed to the most effective programs and departments.

Budget versus financial plan

Financial planning differs from budgeting in a number of key ways:

1. Purpose--compliance versus fiscal stewardship. Budgets are usually developed to match revenues against planned expenditures and comply with state budget development and reporting requirements. (State law rarely requires financial plans.) The purpose of financial planning is to project the long-term sources and uses of funds, evaluate the effectiveness of programs and departments, and focus financial resources on programs that help attain the district's vision for students.

2. Process--routine versus evaluative. The budgeting process usually involves routine review of annual expenditures. Budget center directors are given directions on spending limits and possible increases, and new programs are occasionally introduced. Each year, school officials spend a lot of time reviewing these budgets, when all they're really doing is approving last year's budget with a few changes. Financial planning, on the other hand, takes the district through an evaluation process that identifies areas in which district funds are being overspent or spent on ineffective programs. With financial planning, programs are renewed if they produce material results for students--not because they have become part of the way of doing things.

3. Focus--tactical versus strategic. The focus of a budget is on taking care of day-to-day operating needs, such as staff, supplies, utilities, and benefits. Financial planning focuses on allocating resources efficiently, making long-range plans for new funds, and ensuring that funds are directed toward goals and priorities.

4. People involved--middle- to lower-level employees versus top administrators. The members of the superintendent's cabinet and the people who report directly to them (including principals and department managers) are involved in financial planning, which plays a more strategic role than budgeting and places accountability on those managing budgets and departments.

5. Information--revenue projections and budget allocations versus spending trends, performance benchmarks, district goals, and performance. Budgets focus on the collection of minutiae, from head counts to supply use to salaries. Financial plans use this information as a foundation and build on it. Districts that use only the traditional budget document as a management tool force the board and superintendent to review information that is the proper domain of mid-level administrators. Financial plans, on the other hand, provide information on issues of fiscal stewardship, effectiveness, vision, and change--the rightful domain of the board and superintendent.

6. Time frame--next year versus next five years. Budgets usually provide data for the budget year and the previous year. Financial plans, in contrast, generally provide two or more years of history and a three- to five-year projection of future expenditures and revenues.

7. Accountability--spending questions versus goals questions. Budgets ask, how is your department or program going to spend its funds next year? Financial plans ask, what will you achieve with the level of funding requested for the next five years, and how does that compare to other alternatives for the same goal or service?

8. Issues addressed--operational versus strategic. Budgets address the immediate operating needs of the district: how much money is spent on salary versus supplies, for example, and how much is spent on each department. Financial plans address critical issues, such as when new funding will be needed, the cost of alternatives for improving academic performance, the long-range impact of reducing class size or adding a new school, and the total annual capital and operating costs to fully implement and support technology over the next five years. Most important, financial planning addresses whether the district is investing funds in programs that support district goals and vision. A financial plan pinpoints inefficiencies in a department, mandates that the department improve, and funnels the savings to education. Districts that don't use financial planning seldom learn about such inefficiencies, however. And when the adults have chosen comfort and status quo over work and change, the children will suffer in the long run. Financial planning and analysis ensures that students are put first.

9. Ability to influence district vision--short term versus long term. Budgets affect what happens during the coming year, while financial plans affect results for up to five years. Without the benefit of financial planning, a simple budget cannot affect the long term.

10. Communication with taxpayers--dollars and cents versus results. Budgets show categorical spending; financial plans show whether the funds are being used effectively. They also tell taxpayers that you are open about the district's financial condition and that you are responsible and care how taxpayers' money is being used.

In short, financial plans are the most effective tool school officials have for achieving results and establishing accountability. Time spent in a good financial planning process will produce far greater benefits than the time many board members now spend on budget hearings.

Responding to critics

If financial planning is so superior to single-year budgeting, why don't more districts try it? In the school world, financial planning is an innovation, which means it's likely to meet some resistance at first. Some people in a position to implement financial planning don't have enough time or access to the right information. Others aren't sure how to get started. Still others just don't want to be bothered.

Critics might say, "We can't forecast revenues because they are too uncertain." If that's the case, it is all the more vital to develop a financial plan. Lack of certainty doesn't reduce the need for a financial plan--it increases it. Some firms, such as oil companies, can experience revenue changes of as much as 35 percent below plan, yet these firms are often leaders in long-range financial planning.

Another common criticism is, "We don't have time." This is the "ready, shoot, aim" syndrome. District leaders must realize they have a fiscal responsibility to do the best they can with taxpayer money. Effective investment in students requires spending time up front. And time spent making the right decisions is far more effective than time spent attempting to undo bad decisions.

Some critics might argue that the unions will use the district's financial forecast against management during negotiations. The proper response to that argument is that a financial forecast does not imply any commitment whatsoever to labor negotiations. The district can budget a number that it thinks is fair and appropriate.

Or, critics might say, "We don't have that kind of information." But if you don't have information on performance, then the district is probably not really managing the department or program. Management is about performance. A strategic performance audit will provide information that highlights waste, inefficiency, and areas of potential cost savings that won't affect students. It will show a district how to free up funds that can be directed into new programs that benefit students.

The critics' clincher argument is that all programs that benefit children are good, so the district shouldn't cut back on any of them. But what about new programs that might be better than current ones? How can you support a program that might benefit 30 students at a cost of $5,000 per student versus one that could have more impact at $500 per student for 300 students?

Getting started

If your board members and administrators are truly dedicated to doing the best for students, you owe it to students (and taxpayers) to begin to change the way you plan for the use of money. Step one is to agree that change is needed. Once you've reached consensus, take these steps to get started in solid financial planning:

1. Establish a board policy on financial planning and a planning process.

2. Review your strategic plan, which should include goals and costs. Develop a table of all strategic initiatives and a projection of their costs over the next five years.

3. Establish basic financial assumptions on inflation and other factors affecting your budget and develop a forecast to determine whether new money will be needed and when.

4. Add in the cost of strategic initiatives or other projects that your district would like to undertake.

5. Compare your revenues against your costs. You're likely to project a funding gap at some point in the future, so now is the time to look for ways to reduce costs or shift funding.

6. Conduct a performance audit of all business and support services to identify areas of potential cost savings and performance improvement. Use benchmarks to identify where these can be improved, and estimate the potential cost savings.

7. Evaluate all discretionary programs. Compare these to new initiatives that you don't have funds for. Which ones have the biggest potential impact? Cut the least effective discretionary programs to fund the new initiatives.

8. Now compare the potential cost savings and programs that should be eliminated. Develop a plan for moving funds from these programs into new programs, or use these funds to reduce your spending.

9. Begin to use this process to steer the district's spending. Move funds away from programs that are not effective into those that are. Insist that all noninstructional programs operate at the highest level of efficiency.

10. Let your taxpayers know you're embarking on an effort to make the best use of their resources for students. The financial plan will allow you to prepare for new levy campaigns well before approval is required.

11. Translate the first year of the plan into a budget. View the budget as the first year of the implementation of your long-range plan, and update the plan each year.

You can now begin to steer, rather than row. I predict you'll see real results.

Steven C. Pereus , former business manager and chief operating officer of the Toledo Public Schools, is now president of the School Improvement Group, Toledo. He is the author of Performance Improvement and Cost Control in Schools and Technology Management in Schools (Sheshunoff Information Services, 1999 and 2000).

Illustration by Bob Scott.

Where does your district stand?

If you're still wondering whether financial planning is right for your district, a useful exercise is to consider where you are, compared to where you should be in terms of the level of fiscal stewardship your district provides:

• **Level 1:** Basic budget. A one-year budget includes a summary of spending by line item, or expenditure type. It does not discuss district goals, nor does it address how the budget is related to a strategic plan or goal. At this level, your district might not have a formal strategic plan.

• **Level 2:** Multiyear budget, with goals. At this level, the budget might include expenditures beyond a single year but does not include an assessment of programs or measures of efficiency.

• **Level 3:** Multiyear forecast, strategic goals, and projections of the cost of initiatives. The long-range forecast calls for setting up a regular process for assessing the efficiency and effectiveness of programs and departments.

• **Level 4:** Strategic plan with goals; financial plan outlining the costs of the goals and existing operations; performance targets that are based on a performance audit and benchmarking. This also includes an evaluation of program efficiency and effectiveness and states targets for each area to reach.

• **Level 5:** The same as Level 4, plus a financial planning process that includes the consideration of alternatives, cost of alternatives, and elimination of low-performing programs to fund new initiatives. This also includes a complete projection of the cost and trade-offs of new initiatives.--*S.C.P.*

If you would like to contact the author, you may do so at (419) 392-1775

Education Finance Focus Group

In response to key question:
How can resources be linked to performance goals and student outcomes?

Idea # 2 - Consider other state education finance models that link budget and financial management systems with student outcomes and consider information from results of the current consultant study of DOE financial management system.

Why this is important?

Most other states have been faced with legal challenges to their resource allocation models and have had to develop court-approved financial management models. These models ensure that state funds are distributed on an equitable basis but also ensure that state funds are sufficient to assure the students meet statewide educational requirements. Additionally, as the DOE moves towards a complex-based model of management and service delivery, it would be useful to consider adopting a complex-based budgeting and financial management system. In reviewing several state models, the State of Oregon has come the closest to developing a resource allocation and financial management system that connects resources with student outcomes. Oregon has developed prototypes for elementary, middle, and high school, that identifies an adequate level of funding and a method for equitable distribution. Although facing it's own financial challenges, Oregon has made a long-term commitment to fully funding the Quality Education Model (QEM) and Oregonians have approved additional revenues to be appropriated for and budget cuts in other program areas to help fund the QEM.

How will it impact student achievement?

Schools will be provided a base amount of funding, with additional funds targeted to areas of greatest need within the school. For example, funds might be targeted for remediation in reading, writing, or math – or integrated curriculum that provides additional instructional time in core areas.

Action Needed to Implement

Information from DOE consultant study and assistance from national experts through organizations such as the Education Commission of the State, National Conference of State Legislature, and other school finance experts.

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Finance: Show Me the Results

By Andrew Rotherham

In "Harrison Bergeron," Kurt Vonnegut describes a society in which everyone is equal. Athletic people wear weights on their bodies to slow them down, attractive people wear masks, and particularly intelligent people wear devices in their ears that pipe in distracting noise.

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By taking notions of societal equality to absurd extremes, Vonnegut reminds us of the limits of such ideals. His reality check applies well to the debate over school finance, reinforcing an important concept: that our goal in school finance is to give every student the resources he or she needs to excel, not to equalize everyone to an arbitrary funding level. We need instead to rationally determine how much a school district needs and work out a plan to deliver that amount. The fact that an affluent district is spending far more than the state mean doesn't necessarily mean that students in other districts are being denied a quality education. The real question is whether lower-spending districts have sufficient revenue to provide a first-class education.

Equitable school funding is a state and local responsibility. In 1973, the Supreme Court took the federal government largely out of the equation, stating in San Antonio Independent School District v. Rodriguez that education "is not among the rights afforded explicit protection under our federal constitution. Nor do we find any basis for saying it is implicitly so protected."

This ruling shifted the legal action to the states, whose constitutions all contain provisions for education. Since local school districts are overwhelmingly dependent on property tax revenue, variations in property wealth put impoverished areas at a tremendous fiscal disadvantage. Impoverished communities often exert a similar or greater tax effort than affluent areas but still raise substantially less money per pupil. To remedy this problem, a "second wave" of school finance litigation, in the quarter century since Rodriguez, has resulted in more than 15 states changing their funding systems.

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Much of this litigation aimed to broaden the revenue base for schools. But that is easier in principle than in practice. School finance reform can be either a lever for enhanced student performance or a point of political breakdown. Recent efforts in New Hampshire and Vermont are indicative of the latter, while New Jersey and Wyoming offer more fruitful examples.

In New Hampshire, a deeply rooted hostility to state taxes complicated efforts to overhaul the school funding structure. Any state income tax was a deal killer. In the past, New Hampshire schools were 87 percent dependent on local revenue for operating costs and received only 7 percent from the state. The new system does incorporate a statewide property tax and a variety of other revenue raisers - but no state income tax - to provide a much greater share of spending from the state. But the process was so long and painful-at one point many of the state's teachers were pink-slipped-that it is mostly a reminder of how not to reform school finance.

In Vermont, a practice known as "power equalizing" was adopted. Not only was funding equalized between school districts, but communities raising money above the required statewide rate - referred to as "local share property tax" in Vermont - are required to contribute to a statewide pool for redistribution. While this is a liberal's Walter Mitty fantasy, in reality it creates resentment and undermines support for public schools in many communities. It is not likely to be a tenable solution in the long run.

Two radically different state solutions - in New Jersey and Wyoming - provide good models for state legislators to study. In both, officials studied exactly how much revenue is required to deliver the services they want and structured their financing system accordingly. They relied on a small but growing body of research into how much money is a sufficient "performance baseline."

In New Jersey, school finance litigation has been a fixture in policy debates for 25 years. The state Supreme Court had found that several districts were underfunded. However, in 1998 a review court ruled that impoverished districts received adequate resources to allow children to meet performance standards. They found that the districts had enough money to implement the most expensive "whole school" reform model on the market. Rather than looking at historical data or assumptions about costs, the court looked at what it would cost a school district to provide a challenging and effective curriculum.

In Wyoming, extensive studies determined how much revenue was required to deliver a basket of services that would allow students to meet performance standards. The system was restructured to provide adequate revenue for all districts to meet this goal. Panels of school administrators and principals from districts outside Wyoming with demographics similar to the affected school districts were consulted. Experts who understood the market were asked to determine whether it was possible to reach stated goals with the funding plan. According to an analysis by a respected school finance consulting firm, sufficient resources are now in place.

New Jersey and Wyoming share a common thread. Rather than simply argue about what a reasonable amount of funding is, officials in both states set out to determine it. They set performance goals, ensured that sufficient revenue was in place for students in all school districts to achieve them, and held people accountable for their performance. This sort of approach, championed most notably by Allan Odden of the

University Wisconsin, holds great promise for resolving some of the thornier issues of school finance and building a more constructive dialogue about standards and accountability.

Andrew Rotherham is director of the 21st Century Schools Project at the Progressive Policy Institute.

ECS Issue Paper

Education Finance in the States: Its Past, Present and Future

Education Commission of the States

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Constructing New Finance Models that Balance Equity, Adequacy and Efficiency with Responsiveness

by James W. Guthrie

As America enters what technically will be the first school year of the new millennium, a policy issue looms that is almost as fundamental as that resulting from *Brown v. Board of Education.*

Dramatic enrollment growth, ensuring financial "adequacy," maintaining gains in distributional equality, coping with intensified needs for classroom teachers, incorporating electronic technology into instruction, satisfying public preferences for greater diversity in schools and programs, devising performance incentives and "accountability" procedures – these are all likely to pose major challenges for policymakers wrestling with education finance.

But there is another, more vexing issue that portends such fundamental changes in education governance and finance as to subordinate unto it all the above-listed challenges and engulf them in an intense vortex of policy conflict.

The likely most powerful policy stimulus, at least for the foreseeable future, is that the judicial system is beginning to take state constitutions at their word.

Judges are no longer simply asserting that education funding must be equitable and sufficient. Increasingly, they claim that it is a state's responsibility to ensure that school services are of a quality sufficient to ensure that a student is capable of good citizenship, empowered to participate productively in the economy and personally fulfilled.

In the past, legislators and governors met state constitutional requirements by compelling school attendance, ensuring free schooling and inducing the formation of districts.

From such restricted policy beginnings sprang a minor branch of theology that came to be known as "local control." It is this mantra, more than any other, that provided a framework for education policy choices and judicial remedies in the 19th and 20th centuries. And it is this mantra that will likely succumb to other values in the 21st century.

The Evolving Policy Context of Education Finance

Education finance was once a field dominated by arcane issues of state taxation, dollar distribution and statistical measurement. As such, the field was usually allotted only a remote alcove in the domain of public policymaking.

Now, however, emerging issues of resource adequacy and performance funding are elevating education finance into the main arena of policy debate and onto the front lines of social and behavioral science research.

Modern efforts by state governments to promulgate education standards for students and schools have breathed new life into legal strategies and policy efforts linking public financing to education "equity" and "adequacy." In the last half of the 20th century, school finance experts were occupied with the means for measuring, and ways of achieving, per-pupil resource parity. As the 21st century unfolds, the principal issues in the field of education finance have become far more encompassing. The old equity issues have not disappeared. It is simply that emerging adequacy and efficiency considerations must now be addressed in addition.

The new challenge is to rethink local control: to identify creative links between judicially mandated or inspired aspirations for pupil performance, related levels of necessary financial resources and conventional mechanisms for rendering the education system responsive to students and taxpayers.

The Evolution of Modern Education Finance

Nineteenth and early 20th-century state and federal school finance arrangements concentrated on inducements for states to construct public schools and colleges, staff them, extend the range of grades and services offered and share costs between local and state sources.

Beginning with the post-World War II civil rights movement, judicial and legislative efforts were made to gain access to public schools for a wider portion of the population. Racially segregated schools were struck down by *Brown v. Board of Education.* Disabled students were included in public schools by the courts and then by Congress. Greater gender equity was facilitated by the 1978 Higher Education Act. *Lau v. Nichols* assisted in the provision of services to limited-English proficient students.

Education finance reform was a parallel issue in the 1960s. Thanks particularly to the pioneering efforts of Arthur Wise, Jack Coons, William H. Clune and Stephen D. Sugarman, legal arguments were constructed stretching the mantle of the U.S. Constitution's Fourteenth Amendment – the "equal protection clause" – to intrastate school finance disparities.

The outcome of an early Illinois equal-protection case, *Ogilvie v. McGuinness,* was discouraging to reform advocates. The plaintiffs, representing poor children in low-wealth Illinois districts, asked the court for a remedy by which funding would be distributed in keeping with children's education needs. The court, citing the difficulty in constructing a judicially manageable solution, rejected plaintiffs' pleas.

This rejection emphasized for Wise, Coons, Clune and Sugarman the need for developing a legal standard by which to judge the acceptability of wealth disparity remedies. The result of their efforts was what today is known as the "principle of fiscal neutrality." This is a negative principle, specifying that a link between local or household wealth and the quality of a child's schooling is unacceptable. The principle does not specify what a remedy should be – only what it cannot be. Nevertheless, formation of this idea enabled the education finance equal-protection crusade to proceed.

Another reform setback occurred with the U.S. Supreme Court's narrow negation of plaintiffs' position in a Texas case, *Rodriquez v. San Antonio.* The court rejected arguments that education was a fundamental interest recognized under the U.S. Constitution or that the rights of a suspect classification were abridged. As a result, the court specified that a state's education finance distributional arrangements need not necessarily be subjected to heightened scrutiny. If a state education finance system could be deemed "rational," regardless of its distributional or tax impact consequences, then it could also be judged constitutional.

Plaintiffs' failure to prevail in *Rodriquez* meant that there would be no sweeping federal judicial indictment of education finance wealth disparities, at least for a while. With a quarter-century of hindsight, it now is apparent that this U.S. Supreme Court decision may have done school advocates a great service.

Rodriquez' failure to identify education as a federally guaranteed constitutional right forced reformers to rely upon state constitutional provisions regarding education. It is these same state constitutional provisions that are emerging as 21st-century policy engines for dramatically altering education finance and governance.

In the wake of Rodriquez, many state courts were willing to strike unequal financing conditions, relying upon state constitutional education and equal-protection provisions. In New Jersey, the state's Supreme Court decision in *Robinson v. Cahill* eventually undid a conventional foundation formula that failed to equalize to any but the most moderate per-pupil spending levels. Similarly, in California, the judicial system's rejection of wealth disparities, in *Serrano v. Priest,* triggered a massive reform of the state's school finance mechanisms. These cases, and ones like them in other states, seldom led to rapid solutions. It took New Jersey and California three decades, and many intervening trials and legislative tribulations, to lay the issue to rest, and even today it could all end up in court again.

Despite their complexity, these "first wave" equal-protection cases involved what in retrospect were simple matters of fact and applications of law. Low-wealth school districts could not generate the same revenue per pupil as high-wealth school districts – at least not without imposing a higher burden on their taxpayers. Both the spending disparities and the potential taxpayer inequities appeared unfair to plaintiffs and arguably violated equal protection or other state constitutional provisions. Plaintiffs claimed there was an unacceptable link between local district property wealth and per-pupil resources. In at least two dozen instances, states have agreed with plaintiffs.

Growing Centralization of Decisionmaking: The New Era of State Dominance

Legislative efforts to comply with equal protection-based judicial decisions began to centralize education finance authority. Under the prevailing legal logic, only state governments were in a position to ensure that differences in local property wealth were equalized. State efforts to equalize financing characterized finance reform throughout much of the latter quarter of the 20th century. Local school district authority regarding tax rates and spending levels began to decrease accordingly.

Most equal-protection finance solutions, however, left standing the remaining fundamental responsibilities of local districts. Legal compliance necessitated state control to ensure the flow of equal resources, but there was no judicial mandate for states to guarantee the quality of a child's schooling.

In the last decade of the 20th century, this condition was about to be changed.

In 1989, the Kentucky Supreme Court made what was to be the most far-reaching decision any court had ever issued in a school finance-related case. Going well beyond conventional equity considerations, the court ruled in the Rose case that the entire system of public schooling in Kentucky had to be reformed in order to provide students with an equal opportunity to achieve a court-specified set of learning standards. This was the onset of a new set of legal theories surrounding the idea of "adequacy."

Kentucky thus embarked upon a long trail of altered school governance mechanisms, new curricula, state testing, performance incentives and personnel standards.

A new reform theory and a new round of court cases would soon follow.

The Emergence of the State as the Guarantor of Education Quality

The Rose decision and its progeny could portend a new paradigm for American education finance and governance.

Court decisions in Massachusetts, Wyoming, Alabama, Arkansas, Wisconsin, New York and North Carolina hold the state responsible not simply for ensuring that local schools are funded equitably or even sufficiently, but for (1) ensuring that schools pursue higher than heretofore codified standards, (2) providing disproportionate resources to disadvantaged students and, through direct provision or intense oversight, (3) guaranteeing that instruction is of a high quality.

The Wisconsin Supreme Court's most recent decision, for example, holds the state accountable for ensuring schooling that "will equip students for their roles as citizens and enable them to succeed economically and personally." The court specifies that the purpose of an adequacy criterion is to *"adopt a standard that will equalize outcomes, not merely inputs."*

In a similar vein, New York trial judge Leland DeGrasse in January 2001 rejected as insufficient for the 21st century a conventional state constitutional standard of "basic literacy," and specified instead the necessity of schooling for "productive citizenship – not just voting or sitting on a jury, but doing so capably and knowledgeably." The judge went on to charge schools with closing "the disconnect between the skills of the state's and city's labor force and the skills of the high-technology sector."

In the Leandro case in North Carolina, the trial judge ruled that performance "at grade level" on state-specified curriculum standards is the minimum acceptable. He went on to insist that "*economically disadvantaged students need services and opportunities above those provided to the general student population.*"

The Wyoming Supreme Court, in its recent Campbell II decision, makes clear that it is the state's responsibility not simply to ensure that funding is sufficient to provide a "proper" and "unsurpassed" education system, but also to ensure that the best educational opportunities are made available to disadvantaged students, be they poor, non-English speaking or disabled.

A case filed in California by the American Civil Liberties Union (ACLU), but not yet at trial, rejects altogether the state's contention that its responsibilities end upon provision of adequate financing and subsequent reliance upon local control. The ACLU complaint contends that inadequate provision of items such as textbooks, facilities and certified teachers, even if it is the immediate fault of local administrators, is the ultimate responsibility of the state to correct.

In short, the judicial system, unencumbered by narrow political constraints often felt by more directly elected publicly officials, is taking state constitutions literally. If a constitution charges the state with provision of schooling, then the state must ensure that such schooling is of a quality tailored to 21st century needs.

As states are being held accountable to new and higher education standards, they are being goaded into far more intense actions about the actual provision of schooling. What once was the clear and protected domain of local school board members and superintendents is now increasingly the responsibility of state officials.

Here, then, is the challenge facing the policy system in the early part of the 21st century:

How can new mechanisms of centralized authority over resources and quality be meshed with longstanding American political expectations for community responsiveness and locally overseen economic efficiency?

Policy Alternatives for Recalibrating State and Local Control

There are a variety of means by which elected officials can redesign the conventional local-control framework in order to comply with emerging equity, adequacy and performance challenges. From the spectrum of available alternatives, five archetypes have been distilled and are described below. In fact, components of these five models can be mixed and matched in an almost infinite matrix.

If one imagines a decision or authority spectrum anchored at one end by centralized decisionmaking and at the other end by decentralized decision making, then what follows illustrates different points on that continuum. This practical spectrum places a powerful state education agency on one end, local school districts in the middle and household-controlled voucher plans on the other end.

- The first policy alternative is one in which state government operates and regulates local schools.
- The second policy alternative continues the idea of state regulation of education, but allows for vendors or private providers to deliver instruction under a charter from the state.
- The third alternative places heavier-than-typical decisionmaking with the state, but enables local districts to continue to make operating decisions, such as hiring teachers.
- The fourth alternative keeps many of the current functions of local school districts intact, but accords the state a larger oversight role.
- A fifth alternative, vouchers, dramatically alters relationships between public schools and clients.

Readers should understand that what follows is analysis and not advocacy, and little appraisal is offered regarding the political feasibility of any of the alternatives.

Alternative 1: A single state education system

A single and uniform state system would no longer involve local school districts in activities such as the setting of the school curriculum, hiring of teachers and administrators, selecting course grading criteria or report card formats or purchasing textbooks.

Rather, a statewide education system would be a component of the executive branch, with a statewide school board such as presently exists in most states. Such a board could either be elected or appointed. If appointed, decisions would have to be made as to the nature of the appointing authority, the governor or some other authority. Alternatively, education – like transportation, health and other policy areas – could simply be a component of the executive branch and have a chief executive who reported directly to the governor.

Under either scenario – either with or without a state board of education, be the state board elected or appointed – the state's education administrative agency would need a chief executive officer. It would not be sensible, and would badly dilute accountability; to have the chief executive officer elected statewide, as now occurs in approximately 15 states. Rather, the chief executive would be appointed, either by the state board or by the governor. In the latter case, the education chief executive presumably would be a member of the governor's cabinet.

A reconstituted state education department would oversee and operate a statewide education system. It would have two broad kinds of functions. One function would be an operating component performing many of the activities now undertaken by local school districts' central offices.

The state's operating arm for schools would recruit, employ and induct classroom teachers and other professional educators and assign them to schools, or at least to regional offices, throughout a state. It would pay teachers and other employees. It also would select and purchase items such as school buses, supplies, petroleum, food and all the other goods and services that schools consume. It would directly determine or assign to regional offices the responsibility for determining student attendance boundaries and the location of new school buildings.

In addition to this operating arm, a newly empowered state education department would continue in its current role of interpreting policies made by the legislature, and possibly by the state board of education, and move to implement them via directives to local schools. The state education department would also have responsibility for directly overseeing the administration of federally funded education programs.

Teacher licensure provides a good example of how the state would have a dual role in a single state school system. The new state education department would have responsibility for interpreting and implementing legislation regarding teaching training and licensing, and would also be responsible for ensuring that the teachers it was hiring and assigning to local schools possessed appropriate credentials. This latter function would formerly have been undertaken by a local school district. Now it would be a state responsibility.

School principals, teachers and other school employees would be employees of the state. They might be supervised directly by state officials, either centrally or out of regional state education department offices. A state agency would be responsible for setting salaries of teachers and administrators, using a process similar to that now used to establish salaries for other state employees.

Equity, or at least equal treatment of students in similar situations, would be maximized through state control of education's mission, money and measurement. Taxation for the support of public education would be statewide. Local districts and local district taxing authority would be abandoned. Educators would be state employees paid consistent with a statewide salary schedule. A state agency would be responsible for constructing student performance standards, tests and measurements; teacher training criteria, hiring and compensation; administrator standards; transportation standards and the like.

Financial resources, in a single state system, would flow from a state agency to individual schools, not to a school district. The state would assume all existing local school debt-service obligations. A school's financial and personnel resource level would be a function of state formulas. School construction – including financing, planning and oversight – would become the responsibility of a state agency.

By moving to a single and uniform state system, a state could save money from the following consolidations. There would no longer be a need for school boards and local school board elections. There would be no more local school district bond and debt-service elections. School district superintendents and all central office staff would be eliminated. School district offices would not have to be operated, and utility bills would be reduced. There would be no such entity as a "small school district," and as a consequence, no need for a distribution formula adjustment for such districts.

The tradeoff involved in a full state system would be in terms of citizen participation and responsiveness to local preferences and conditions. In order to at least partially compensate, the state might well choose to have local parent advisory boards at each school to assist principals in the design and conduct of the school's program. Consideration could also be given to permitting schools to make trades between budgetary categories.

Regardless of how wrenching such a change might be; it would not be without operational counterparts. Most of America's children attend school in large systems. In fact, 25% of students attend school in only 1% of the nation's districts. In these settings, there is a direct link between local schools and a remote central management and decisionmaking apparatus.

Alternative 2: A single state education system with a capacity for charters or contracts

This policy alternative places the state (through an education agency) strongly in control of public education's mission, money and measurement, and leaves instructional methods and school operation and management to individual vendors or "contractors."

Under this scenario, there would, again, be no local school districts – although there might be regional state offices. The state education agency might have a governance arrangement paralleling that outlined in the prior description of a uniform state system. There might or might not be a state board of education; and, if there were, it could be either elected or appointed. These matters would be at the legislature's discretion. If there were no state education board, however constituted, education might be an agency in the executive branch under the direct administration of the governor. Presumably, the governor would appoint the chief state school officer, in circumstances where there was no state board of education to undertake such an appointment.

In this policy alternative, unlike its previously described model, the state education department would not have an operating arm. It would still have a regulatory arm, but would not itself manage schools, employ educators, issue paychecks, purchase textbooks, buy or operate buses, and so on.

Instead, the state education department would outsource the operation of local schools. Contractors would bid to operate state schools by responding to requests for proposals (RFPs) issued by the state. Each school or group of schools would, in effect, be charter schools. The nature of the charter would be at the discretion of the state education agency.

The purpose of an individual school, its expected standards of performance for pupils, its generalized mode(s) of instruction, its spending level and the means by which its performance would be judged could all be part of a bidding and contracting system.

Local school districts, at least as known now, would disappear. A state-issued RFP would describe the student population to be served and the outcomes required to be produced, and bidders would agree to produce stated outcomes for an agreed-upon fee. Vendors failing to produce desired outcomes would lose their contract. Arrangements could be made for vendors to lease and pay existing debt service on school facilities. Statewide arrangements could be made to assist in a transition of teachers from a state retirement system to a system of individual retirement accounts.

Who might bid to operate a school or several schools for the state? Nonprofit organizations, such as the YMCA, might bid. Perhaps a state's teachers union would bid to operate a school. Perhaps a joint venture submission involving administrators and teachers would like to bid to continue operating their present public school. Perhaps a private for-profit firm such as Edison or Sylvan Learning Systems would bid.

The principal differences between such a statewide system of charters and the status quo are that (1) teachers, classified employees, such as custodians and bus drivers, and administrators would no longer be public employees, (2) there would be no local school districts, and (3) more decisions regarding the strategic direction of schools would be made by the state through issuance of contracts to vendors. Few decisions regarding the operation of schools would be made at the state level. The state would provide mission, money and measurement, and independent vendors would provide management. As long as vendors produced expected outcomes, the state presumably would not interfere.

A statewide charter system could ensure compliance with adequacy suits. For example, by specifying levels of service or outcomes for at-risk students, the state would set a standard and maintain oversight. If vendors failed to bid on such a contract, claiming that there was insufficient financing to comply with the at-risk service specification, the state would know that resources were inadequate and would have to elevate them. At the same time, by issuing RFPs and contracting for services, the state would retain control over costs. Market competition would set the actual costs. The state would know precisely what it cost to deliver a "basket of expectations" established either by a legislature or a court.

The state could enhance citizen participation by enlisting parental and citizen assistance in designing the RFPs for a community's school. Thereafter, the state could let parents interview bidders. Finally, by enabling parents in sufficiently populated settings to choose their child's charter school from among a range of geographically clustered schools, an element of competition would be inserted into what is now a monopoly situation. Vendors could not survive if parents did not choose to attend their schools, at least where household choice of schools was practical. This would elevate accountability.

Many questions are raised by such a vastly different approach to the operation of local schools. Would such a plan require a constitutional amendment? How would the state make a transition to such a plan? Is it not unlikely that all public schools could be converted quickly? What would happen if an insufficient number of suppliers came to the market? Would the state have to continue to operate small schools in rural areas? What would be the role of the state if a vendor defaulted on the operation of a school?

Answers to many such questions have been generated in other contexts, and could be constructed for a particular state. However, it is sufficient here to note that the design of a statewide charter system is complicated and would take time and patience.

Alternative 3: Local district operating system with multiple state categorical aid programs

This policy variant retains local school districts, but substantially constrains their decision authority.

"Categorical" in this context refers to the manner in which local officials could use a state's funds. If the state constructed categorical programs, for example, for vocational education, special education services for disabled students, instruction for at-risk students, and programs for limited-English proficient students, then the state would want to ensure that specified funds were in fact spent either on target groups, on the goods and services specified in the formula, or both, as intended.

School districts would retain locally elected officials and appointed chief executives. A local district, as now is true, would determine the major portion of its curriculum, employ and send paychecks to teachers, determine attendance boundaries and policies, hire administrators, arrange student activities and programs, and perform many other current functions.

However – and here is where this policy alternative would differ most dramatically from the status quo – school districts would be obligated to spend eligible funds in the manner specified by a state-defined allocation formula.

Under this alternative, in addition to the possibility of a "core" operating grant, the state would make categorical funding available to the district and its schools. These funds would be targeted for provision of a variety of additional programs for students with special needs and interests. A district or school could spend categorical funds only in keeping with state-specified purposes. A district would likely be subject to heavy fiscal accountability for such specialized funding.

The enforcement of categorical funding could occur in either of two ways. "Categorical" could mean either that funding is spent for a target group of students, or that it is spent on a set of goods and services specified by the state. (It could also be interpreted in both these ways.)

For example, if a state's elementary school distribution formula generated a teacher aide for every five low-income students, a local district would have to ensure through accounting procedures that it had complied. The fact that the superintendent or principal might decide such funds were better spent reducing class size would be of little consequence.

The state could decide that as long as revenues were spent on the targeted category of students, how they were spent would be left to local operating officials. Or the state could determine funds had to be spent for state-specified items such as aides or supplies or computers. Finally, the state could decide to enforce spending on both the target clientele and the specified goods and services.

Thirty years of federal government experience with this strategy has revealed its deleterious effects. Each categorical program promotes formation of a political constituency that then seeks to protect its interests, at the risk of interrupting the operating integrity of the overall school program.

On the other hand, the categorical approach has this advantage: It would ensure compliance with adequacy rulings while at the same time preserving local school districts.

Alternative 4: Local district operating system with a heavily monitored cost-based block grant

This variant also permits the continuation of local districts, performing many of the conventional functions. They would design their curricula, hire teachers and custodians, design bus routes, purchase textbooks, and so on. However, this alternative implies an increased state presence in local school districts through significantly enhanced state oversight and auditing necessary to comply with court rulings.

To ensure that special-needs and special-interest students were served adequately and to ensure that the state was not unduly exposed to local districts spending funds in a way that was less than cost-effective, the state would have to engage in significantly more oversight of local decisionmaking. In effect, each local school district would have one or more state department officials (program monitors and auditors) responsible for approving its intended expenditures and, periodically, inspecting its actual practices.

Among the functions these state inspectors would perform is continuously collecting information on the design, costs and student performance outcomes of programs for special-needs and at-risk students. This sustained information gathering would constitute a useful feedback loop enabling the state to continuously refine the provision and its funding of special programs.

Under this more heavily monitored or regulated block-grant model, districts would continue to be provided with discretion to trade funds from one spending category to another, at least for conventional students. They might, however, be obligated to prove that deviations from state funding formula norms in certain areas were justified. District spending discretion might be substantially curtailed.

Such a policy system leaves local school districts in place. Presumably, this would continue the practice of substantial local citizen influence over many school activities. Citizens would have access to a locally elected set of decisionmakers and would not have to prevail upon state officials to try to shape school decisions.

This policy alternative would, however, substantially constrain local decisions, at least in areas of special programming. The state could not afford to permit local decisions to jeopardize the declared "adequacy" of a program for a protected class of students or a protected activity, such as instruction for limited-English proficient students or vocational education. In order to protect students and programs, and protect itself against claims of inadequacy of instruction, the state would be forced to engage in greater oversight than it does now. Such monitoring would necessitate expansion of most state education departments.

Still, regardless of whatever additions might be necessary for a state department of education to operate, this scenario seems to require fewer changes to what exists than any other described here.

Alternative 5: Making the household the primary decision unit

Voucher plans formally empower households as education decision units. As such, they represent bold departures from the convention of local school district control. However, they do offer a vehicle through which states could simultaneously comply with judicial decisions to ensure adequate schooling, and political preferences for client responsiveness.

In the writings of John Stuart Mill and others, Coons and Sugarman have identified the elements of vouchers operating in 19th century England. Modern consideration of vouchers began in earnest with the 1956 publication by Milton and Rose Friedman of *Capitalism and Freedom,* which argued for what today are known as unregulated vouchers. Under their plan, states would distribute warrants to households, which then would be free to redeem them at schools of their choice, be they private, public or something in between.

Over the years, vouchers have alternately been embraced by ideologues of the left and right. Opinion polls often reveal substantial public enthusiasm for the idea, particularly among parents in urban areas. However, the idea has attracted little in the way of practical support. Only in Milwaukee, Cleveland and San Antonio have public voucher plans been implemented on any recognizable scale. In each instance, they have been accompanied by sustained and heated controversy, and have drawn mixed reviews as to their effects on student achievement. In that they enable parents to select religiously affiliated schools, they also provoke questions of constitutional acceptability.

Whether or not vouchers will ever become politically acceptable in America – or whether providers of instruction will be willing to submit to the degree of market regulation likely necessary to ensure judicial compliance with standards of quality – is another set of questions.

Comparing Policy Alternatives

The above policy alternatives can be placed on the horizontal axis in a matrix that contains values on a vertical dimension. The resulting template facilitates comparisons and evaluations.

Value/Policy Alternative	*State System of Individual Local Schools*	*State System with Contract Schools*	*Local Districts and Categorical Aid Programs*	*State Oversight of Local Districts Receiving Block Grants*	*Vouchers*
Equality of opportunity for students	All similarly situated students mandated to be treated the same	State-issued contracts specifying equal treatment	Categorical programs designed to augment regular schooling	State auditors or inspectors oversee provision of special services	All similarly situated students funded equally
Ensuring provision of the "best" education	State responsibility exercised through direct operation	State responsibility through legal contracts with vendors	Local responsibility, state enforcement	Local responsibility, state oversight	Parent responsibility
Responsive to parents' and policymakers' preferences	Only remotely sensitive to local preferences	Locals shape RFPs and choose schools through attendance	Remains as is, limited by state oversight of categorical programs	Remains as is, subject to heavier state oversight	Best feature
Efficient and innovative use of tax revenues	Diminished by absence of local participation in revenue generation	Enhanced through vendor competition	Diminished by absence of local participation in revenue generation	Diminished by absence of local participation in revenue generation. Still, modest innovation possible	Could be quite efficient
Employer	State	Vendor	Local district	Local district	Vendor
Control of waste and fraud	State, via direct operation of local schools	State, via the market	State, via regulation	State, via inspection and audit	Market

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